



## **Tennessee State Board of Accountancy**

Department of Commerce and Insurance

500 James Robertson Parkway, 2<sup>nd</sup> Floor

Nashville, Tennessee 37243-1141

(615) 741-2550 Fax (615) 532-8800

### MINUTES

#### TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

November 22, 2004

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Monday, November 22, 2004, at 12:30 p.m.

Members present were Micheal Vaughn, Chairman; Charles Grant, David Curbo, L. Dan Johnson, Kenneth Cozart, Doug Warren, Max Haught, William Underwood, Stanley Sawyer, Joseph Buffler and Robert Davidson.

Also present were Linda Biek, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Johnson, Administrative Assistant; Mark Crocker, Investigator; Jeanetta Cothron, Statistical Analyst; and Brad Floyd, Executive Director of the TSCPA;

Micheal Vaughn called the meeting to order at 12:30 p.m. Mr. Vaughn welcomed the three new Board Members and asked them to tell the Board a little about themselves. Mr. Sawyer, Mr. Underwood and Mr. Buffler each introduced themselves to the Board. Mr. Vaughn asked for a motion to approve the minutes of the August 23, 2004, Board meeting. Dan Johnson motioned to approve the minutes of the August Board meeting. David Curbo seconded the motion; it was voted on and passed.

Mr. Vaughn announced that the Board needed to replace officers in the positions of Vice-Chair and Secretary and asked for nominations and motions. Dan Johnson motioned to elect Doug Warren as Vice-Chair. Robert Davidson seconded the motion; it was voted on and approved. Robert Davidson motioned to elect Max Haught for Secretary. Bill Underwood seconded the motion. David Curbo motioned to elect Ken Cozart as Secretary for the Board. Dan Johnson seconded that motion. Max Haught withdrew his nomination stating that he is not a CPA member of the Board. The Board voted and approved Ken Cozart as Secretary for the Board.

Linda Biek presented the Executive Director's Report: (see attached report)

- 1) Linda announced the next following Board Meeting dates:

Monday, January 24<sup>th</sup>, 2005

Friday, April 29, 2005

Tuesday, June 21, 2005 (Verbal approval has been granted to hold this board meeting in Johnson City in conjunction with the TSCPA Conference)

- 2) NASBA wants approval to release Eligible, Examinees and Successful candidate information including names and addresses. After some Board discussion, Robert Davidson motioned to deny approval. David Curbo seconded the motion; it was voted on and approved.
- 3) The Peer Review Oversight Committee has been selected. The members remain the same with Jim Michie on a 1yr. contract, Charles Millsaps on a 2yr. contract and Tommy Crenshaw on a 3 yr. contract. Also, their hourly rate has been increased to \$125.00.
- 4) Please give direction on how to reply to an e-mail from a college graduate who was convicted of a felony in his sophomore year and wants to know if this will prevent him from becoming a licensed CPA in Tennessee. The Board discussed 62-1-111(8) and 62-1-106(a) & (b) in relation to this case. The Board concluded that this individual should be called in for an informal conference with

two board members from his section of the state and that he must bring documentation. After the meeting the Board Members will report back to the full Board in January and a decision will be made.

- 5) The CBT CPA exam grades from the second window need to be approved. They have already been reviewed by Charles Frasier and released to the candidates. Dan Johnson motioned to approve the grades. Charles Grant seconded the motion; it was voted on and approved.
- 6) A West Tennessee CPA firm has expressed concern and wants the Board's opinion if an Inactive CPA can work in a CPA firm, ie: seasonal tax worker. After much discussion, Robert Davidson motioned to approve the following Board Opinion. **"It is the opinion of the Tennessee State Board of Accountancy that an Inactive CPA is permitted to work for a CPA firm without obtaining an Active license provided that:**
  - (a) **They are supervised by a CPA with an Active license and such CPA conducts their review in light of Inactive status.**
  - (b) **No use of the CPA designation in any form or fashion; this means they cannot hang their CPA certificate on the wall.**
  - (c) **No signature applied to any client work product.**
  - (d) **No advertisement, statement or indication should be used that would mislead the public."**

Doug Warren seconded this motion; it was voted on and approved. Robert Davidson also motioned the following opinion for individuals who hold dual credentials as an Attorney or Enrolled Agent along with their CPA credential. **"It is the opinion of the Tennessee State Board of Accountancy that an Inactive CPA holding a dual credential as an Enrolled Agent or as an Attorney is permitted to do accounting tax work for their clients without obtaining an Active license provided that:**

- (a) **No use of the CPA designation in any form or fashion; this means they cannot hang their CPA certificate on the wall.**
- (b) **No CPA signature applied to any client work product.**
- (c) **No advertisement, statement or indication should be used that would mislead the public."**

Doug Warren seconded this motion; it was voted on and approved. For clarification purposes, the Board noted that if an individual CPA is preparing and signing tax returns as a CPA, a firm registration must be obtained. In addition, a CPA can work at a non-registered tax business such as H & R Block if they do not hold out to be a CPA. They cannot sign a return or report nor can they hang their CPA certificate on their wall.

- 7) The NASBA Annual Conference was held in Chicago in October. Their next meeting is in June in Baltimore. See the handout for conference highlights. The Board discussed the projected number of sections of the CBT CPA exam to be taken in a time period versus the actual number of sections sat for which was only half of the projected number. The 150 hour requirement was included in the discussion along with ideas of how to get people interested in our profession.
- 8) The CPA, PA and Firm renewal forms have been sent out. We have no problems to report at this time.
- 9) Linda Biek has been asked by NASBA to serve on the Executive Director's Committee.
- 10) NASBA Focus questions have been handed out. Please review and inform Linda if you have any changes, suggestions, etc. to the responses.
- 11) Review the FYI section of the Executive Director's Handout and inform Linda if you have any questions.

Connaught O'Connor presented an Agreed Order in the case of Mr. Larry Tarwater to the Board for their acceptance. The agreed order is for revocation of Mr. Tarwater's Tennessee CPA license. Mr. Tarwater would be permitted to request his license be reissued by appearing before the Board at the meeting immediately prior to December 16<sup>th</sup>, 2008 to file application and show good cause. Bill Underwood motioned to accept the Agreed Order. Ken Cozart seconded the motion; it was voted on and approved.

At this time, the Board agreed to table the Rule Change discussion scheduled under New Business on today's agenda. Bill Underwood motioned for each Board Member to read the proposed changes and

respond to Linda Biek via e-mail by January 10<sup>th</sup> with any comments or recommendation. The full discussion to approve changes will then be held at the January Board Meeting. Dan Johnson seconded the motion; it was voted on and approved.

David Curbo presented the Peer Review Committee Report. He reported that 443 firms are due peer reviews in 2004. Of those, 403 are scheduled, completed or exempt and 40 have not responded. Mr. Curbo informed the Board that 12 of the approved reviewers have been removed from the approved reviewer list. Twenty-six (26) new firms have registered since the last Board Meeting. Doug Warren motioned to ratify approval of the new firms. Dan Johnson seconded the motion; it was voted on and approved. Mr. Curbo discussed the AICPA Ethics Interpretations 101(3). The Peer Review Committee will have some recommendations regarding this in the rule changes.

Connaught O'Connor presented the Attorney's Report/Probable Cause Committee report (copy attached). Board Members reviewed cases as listed on the report and gave recommendations of action to the Board. Bill Underwood motioned to approve the Probable Cause Committee Report and recommendations as written. Max Haught seconded the motion; it was voted on and approved.

Max Haught presented the Administrative Committee Report.

Mr. Haught informed the Board that there is no formal job description for the Executive Director. Mr. Haught and Linda Biek met and put together a job description and a list of qualifications. The Board Members were asked to review this information and respond back to Mr. Haught. Mr. Haught proposed the Executive Director set objectives at the beginning of each calendar year. The annual review for the Executive Director will include an evaluation to see if the objectives were met, and if not, why.

Doug Warren presented the CPE Committee Report. (Report attached)

- 1) Doug Warren reported the issuance of 55 new CPA certificates and 42 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff. Ken Cozart made a motion to ratify the approval of the CPA certificates. Dan Johnson seconded the motion; it was voted on and approved.
- 2) The CPE Committee recommends the following policy for Board approval. **"The Executive Director or CPA Coordinators can approve courses for CPE credit which are not NASBA registered (including TN Roster) or are exempt by rule provided that the requests meet the following criteria: a) courses up to 16 hours per reporting period b) courses will qualify for non-technical credit only c) courses should be of the type that would qualify for NASBA registry or roster and d) requests must be made in writing and submitted prior to attending the course."** Doug Warren motioned to approve the policy. Robert Davidson seconded the motion; it was voted on and approved.
- 3) The CPE Committee recommends the Board either define the term "entities" as used in 0020-5-.05(5)(c) or strike the term from the rule. The committee feels it is too broad of a statement. The Board agreed to defer this to be addressed in the rule changes.
- 4) The CPE Committee asks the Board for their opinion on the following: 1) Can the ethics exam required for CPA licensure be used as CPE credit once certified? 2) Can an individual obtain CPE prior to being certified? The Board discussed these two topics and agreed the answer to both questions is NO.

Old Business:

New Business:

The next Board Meeting will be January 24<sup>th</sup>, a one day meeting with only the Probable Cause and Peer Review Committees meeting. The Board Meeting will be for Rules discussion only. The Probable Cause Committee meeting will have all Board Members present.

There being no further business to come before the Board Micheal Vaughn motioned to adjourn the meeting. Dan Johnson seconded the motion and the meeting was adjourned.

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CHAIRMAN

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SECRETARY